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United Nations

International Tribunal for the Prosecution of Persons Responsible for Serious Violations of International Humanitarian Law Committed in the Territory of the Former Yugoslavia since 1991

Financial report and audited financial statements

for the biennium ended 31 December 2007

and

Report of the Board of Auditors

General Assembly
Official Records
Sixty-third Session
Supplement No. 5L

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International Tribunal for the Prosecution of Persons Responsible for Serious Violations of International Humanitarian Law Committed in the Territory of the Former Yugoslavia since 1991

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Report of the Board of Auditors

United Nations • New York, 2008

Note

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Letters of transmittal

2 April 2008

In accordance with financial regulation 6.5, I have the honour to submit the accounts of the International Tribunal for the Prosecution of Persons Responsible for Serious Violations of International Humanitarian Law Committed in the Territory of the Former Yugoslavia since 1991, for the biennium 2006-2007 ending 31 December 2007, which I hereby approve. The financial statements have been completed and certified as correct by the Controller.

Copies of these financial statements are also being transmitted to the Advisory Committee on Administrative and Budgetary Questions.

(*Signed*) **Ban** Ki-moon

The Chairman of the United Nations Board of Auditors
United Nations
New York

30 June 2008

I have the honour to transmit to you the report of the Board of Auditors on the financial statements of the International Tribunal for the Prosecution of Persons Responsible for Serious Violations of International Humanitarian Law Committed in the Territory of the Former Yugoslavia since 1991, for the biennium ended 31 December 2007.

(*Signed*) Philippe **Séguin**
First President of the Court of Accounts of France and
Chairman, United Nations Board of Auditors

The President of the General Assembly
of the United Nations
New York

Chapter I
Financial report for the biennium ended 31 December 2007

A. Introduction

1. The Secretary-General has the honour to submit his financial report on the accounts of the International Tribunal for the Prosecution of Persons Responsible for Serious Violations of International Humanitarian Law Committed in the Territory of the Former Yugoslavia since 1991 for the biennium ended 31 December 2007. The accounts consist of four statements, the related notes and supplementary information contained in the annex to the present chapter.

2. The present financial report is designed to be read in conjunction with the financial statements. The annex includes technical information that is required by the Financial Regulations and Rules to be reported to the Board of Auditors.

B. Overview

3. There was a net shortfall of income over expenditure of $21.7 million in the biennium 2006-2007, primarily because expenditures of $22.4 million authorized under General Assembly resolution 62/230 are to be assessed in 2008, and owing to accrual of after-service and end-of-service expenses during the biennium amounting to $5.3 million. These higher expenditures were partially offset by unbudgeted interest income of $6.7 million.

4. The budget of the Tribunal for the biennium 2006-2007 totalled $349.0 million, as appropriated by the General Assembly in its resolutions 60/243, 61/242 and 62/230. Actual expenditure for the biennium totalled $350.7 million, exceeding the appropriation by $1.7 million, which was attributable mainly to higher staff assessment expenditures of $4.7 million offset by a surplus under the Registry of $3.2 million. The 2006-2007 expenditure of $350.7 million represented an increase of 16 per cent over the expenditure in the 2004-2005 biennium of $302.7 million, which is partly attributable to the decline of the United States dollar vs. the euro.

5. The following table shows the amount of expenditure by functional category:

(Thousands of United States dollars)

Functional category	*2007*	*2005*
Staff and other personnel costs	250 323	225 232
Travel	6 555	6 045
Contractual services	62 626	40 191
Operating expenses	23 842	24 370
Acquisitions	7 101	6 670
Other	223	148
Total	**350 670**	**302 656**

6. The following table shows expenditure by functional category as a percentage of the total:

(Percentage)

Functional category	*2007*	*2005*
Staff and other personnel costs	71.4	74.4
Travel	1.9	2.0
Contractual services	17.8	13.3
Operating expenses	6.8	8.0
Acquisitions	2	2.2
Other	0.1	0.1
Total	**100.0**	**100.0**

7. The overall cash position of the International Tribunal for the Former Yugoslavia as at 31 December 2007 was $38.2 million, which represented a decline of 17 per cent compared to that of the previous biennium. The decline is attributable mainly to shortfall of income over expenditures and higher unpaid assessments, partly offset by higher payables.

8. Effective this biennium, the Tribunal has reflected on its statement of assets, liabilities and reserves and fund balances the accrued liabilities for after-service health insurance of $13.4 million, for unused annual leave days of $6.1 million, for repatriation benefits of $12.7 million and for judges' pension benefits of $15.9 million. As a result, it has reduced the reserves and fund balances by $48.1 million, resulting in a net deficit of $13.5 million as of 31 December 2007.

Annex

Supplementary information

1. The present annex includes supplementary information that the Secretary-General is required to report.

Write-off of losses of cash and receivables

2. In accordance with financial rule 106.8, receivables amounting to $5,730 were written off during the biennium 2006-2007. A summary statement of losses was provided to the Board of Auditors in compliance with the provisions of financial rule 106.8.

Write-off of losses of property

3. In accordance with financial rule 106.9, property losses amounting to $52,933 were written off during the biennium 2006-2007. The losses are based on the original cost of the properties and include write-offs arising from shortfalls, theft, damage and accidents. The write-offs bring the recorded balances of the properties to the same levels as those shown in the property records for the actual quantities on hand. A summary statement showing the inventory values of non-expendable equipment as well as property write-offs was provided to the Board in accordance with financial rule 106.9.

Ex gratia payments

4. There were no ex gratia payments during the biennium 2006-2007.

Chapter II
Report of the Board of Auditors

Summary

The Board of Auditors (the Board) has audited the financial statements of the International Tribunal for the Prosecution of Persons Responsible for Serious Violations of International Humanitarian Law Committed in the Territory of the Former Yugoslavia since 1991 (the Tribunal) for the biennium ended 31 December 2007. The audit was carried out through a review of the financial transactions and operations at the Tribunal's headquarters in The Hague, the Netherlands.

The Board also addressed special requests made by the Advisory Committee on Administrative and Budgetary Questions and the General Assembly.

The Board issued a modified opinion with an emphasis of matter on the financial statements for the period under review as reflected in chapter III. The Board drew attention to the deficit of $13.47 million in the Tribunal's reserves and fund balances. In view of the Tribunal's impending closure in 2010, there is a need to identify the funding sources to be used in the payment of the separation benefits of employees.

Coordination with internal audit

The Board coordinated with the Office of Internal Oversight Services in the planning of the audit in order to avoid duplication of effort. In addition, the Board reviewed the coverage of the internal audit conducted on the operations of the Tribunal to assess the extent to which reliance could be placed on the work of the Office.

Follow-up of previous recommendations

There were 11 recommendations issued during the previous biennium, 9 of which were implemented and 2 were partially implemented. The first partially implemented recommendation pertained to the completion of all the Tribunal's activities within its closure date in 2010. It was noted that the trial and appeal processes of all pending cases would unlikely be completed as mandated in the Tribunal's completion strategy.

The other partially implemented recommendation pertained to the increasing amount of outstanding assessed contributions from Member States. Assessed contributions had an outstanding balance of $19.53 million as at the end of the biennium, which increased by $5.80 million when compared to the 2004-2005 biennium's balance of $13.73 million.

Overall financial overview

For the period under review, total income was $334.26 million, compared with $357 million for the previous biennium, a decrease of 6.37 per cent. Total expenditures amounted to $350.67 million, compared with $302.66 million for the previous biennium, an increase of 15.86 per cent. That resulted in a deficit of $16.41 million, compared with a surplus of $54.35 million in the preceding biennium.

End-of-service liabilities including after-service health insurance

End-of-service liabilities amounting to $48.08 million were recognized in the face of the financial statements during the biennium. That resulted in a negative reserves and fund balance of $13.47 million as at 31 December 2007.

Human resources management

The Board noted that out of the 171 staff in the Professional category who separated from the Tribunal, 63 per cent, or 107 staff, left the Tribunal before the expiration of their terms of office. The early departures were associated with the impending closure of the Tribunal and the prospects of getting more stable and lasting employment outside of the Tribunal.

Programme and project management

The Board noted that it was unlikely that all of the pending cases on trial for 2008 would be completed by 31 December 2008 and that similarly, all appeals also would unlikely be completed by 2010 as outlined in the completion strategy. It was, therefore, necessary that the earlier projections of the Security Council be reviewed and that completion mandates be modified accordingly.

Write-offs and disposals

In accordance with rule 106.9 of the Financial Regulations and Rules of the United Nations, the Tribunal reported the write-off of non-expendable property amounting to $52,933 during the biennium under review. Likewise, the amount of $5,730 in receivables had been approved for write-off during the biennium 2006-2007, comprising $3,072 for separated staff members and $2,657 for debtors other than staff members.

Recommendations

The Board made several recommendations based on its audit. The main recommendations are set out in paragraph 7 of the present report.

A. Introduction

1. Mandate, scope and methodology

1. The Board of Auditors has audited the financial statements of the International Tribunal for the Prosecution of Persons Responsible for Serious Violations of International Humanitarian Law Committed in the Territory of the Former Yugoslavia since 1991 (the Tribunal) and has reviewed its operations for the financial period from 1 January 2006 to 31 December 2007 in accordance with General Assembly resolution 74 (I) of 7 December 1946. The audit was conducted in conformity with article VII of the Financial Regulations and Rules of the United Nations and the annex thereto, as well as the International Standards on Auditing. Those standards require that the Board plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement.

2. The audit was conducted primarily to enable the Board to form an opinion as to whether the financial statements presented fairly the financial position of the Tribunal as at 31 December 2007 and the results of its operations and cash flows for the financial period then ended, in accordance with the United Nations system accounting standards. It included an assessment of whether the expenditures recorded in the financial statements had been incurred for the purposes approved by the governing bodies and whether income and expenditures had been properly classified and recorded in accordance with the Financial Regulations and Rules of the United Nations. The audit also included a general review of financial systems and internal controls and a test examination of the accounting records and other supporting evidence to the extent that the Board considered necessary to form an opinion on the financial statements.

3. In addition to the audit of the accounts and financial transactions, the Board carried out reviews of the Tribunal's operations under financial regulation 7.5. It requires the Board to make observations with respect to the efficiency of the financial procedures, the accounting system, the internal financial controls and, in general, the administration and management of the Tribunal's operations. The General Assembly also requested the Board to follow up on previous recommendations and to report on them accordingly. Those matters are addressed in paragraphs 9 to 12 below.

4. The Board periodically reported the result of its audits to the Administration in the form of management letters containing detailed observations and recommendations. That practice allowed for ongoing dialogue with the Administration. In that regard, one management letter was issued on 25 June 2007.

5. The present report covers matters that, in the opinion of the Board, should be brought to the attention of the General Assembly. The Board's observations and conclusions were discussed with the Tribunal administration, whose views have been appropriately reflected in the report.

2. Coordination with internal audit

6. The Board continued to coordinate with the Office of Internal Oversight Services in the planning of its audits in order to avoid duplication of efforts and to determine the extent of reliance that could be placed on the work of OIOS.

3. Main recommendations

7. **The Board's main recommendations are that the Tribunal should:**

(a) Develop a proposed financing plan in order to settle end-of-service liabilities relating to staff members at the time of the closure of the operations of the Tribunal (paragraph 40);

(b) Reconsider the disclosure of the statement of cash flows to include its share in the cash pool (paragraph 44);

(c) Continue to explore ways and means of retaining existing staff in order to ensure the successful completion of its mandate (paragraph 49).

8. The Board's other recommendations appear in paragraphs 22, 24, 28, and 53. These recommendations do not address sanctions or disciplinary steps which the Tribunal may wish to impose on defaulting officials for consistent failure to ensure compliance with the Financial Regulations and Rules of the United Nations, administrative instructions and other related directives.

B. Detailed findings and recommendations

1. Follow-up of previous recommendations

9. In accordance with section A, paragraph 7, of General Assembly resolution 51/225, the Board reviewed the actions taken by the Tribunal to implement the recommendations made in its report for the biennium ended 31 December 2005.

10. Of the total 11 recommendations that were made, 9 were fully implemented while 2 were partially implemented. The details are presented in the annex to the present report.

Recommendations partially implemented

11. The two partially implemented recommendations relate to the biennium 2004-2005. The first pertained to the completion of all the Tribunal's activities within its closure date in 2010. It was noted that the trials of all the pending cases were unlikely to be completed by the end of 2008, given that there were still accused persons, who were considered top level and had yet to be arrested. There were also delays in the trial and appeal processes. Those factors affected the ability of the Tribunal to dispose of all its pending cases and activities within its completion mandate.

12. The other partially implemented recommendation pertained to the increasing amount of outstanding assessed contributions from Member States. Assessed contributions had an outstanding balance of $19.54 million as at the end of the biennium. When compared to the 2004-2005 biennium's $13.73 million, there was an increase of $5.81 million.

2. Overall financial overview

Key financial indicators

13. The Tribunal's key financial indicators for the biennium 2004-2005 and 2006-2007 are presented in table II.1. The outstanding assessed contributions to total

assets ratio increased twofold, from 0.10:1 in 2004-2005 to 0.22:1 in 2006-2007. This was due to an increase in outstanding assessed contributions, from $13.73 million in 2004-2005 to $19.54 million in 2006-2007. The cash-to-total assets ratio also increased from 0.33:1 in the previous biennium to 0.44:1 in the biennium under review.

14. In addition, the cash-to-liabilities ratio also improved from 0.51:1 to 0.74:1. However, there was still a shortage of cash available to settle debts as there were only 74 cents available for every dollar of liability. This is particularly relevant in the light of the fact that the operations of the Tribunal are expected to end in 2010.

Table II.1
Ratios of key financial indicators

Ratio	*Biennium ended* 2005	2007	*Component of 2007 ratio*[a]
Assessed contributions outstanding/total assets[b]	0.10	0.22	19.535/87.421
Cash/total assets[c]	0.33	0.44	38.193/87.421
Cash/liability (inter-fund balances payable, contributions or payments received in advance, unliquidated obligations — current and future periods, other accounts payable, excluding end-of-service liabilities)[d]	0.51	0.74	38.193/52.795
Unliquidated obligations/total liabilities[e]	0.99	0.43	43.641/100.888

[a] In millions of United States dollars.
[b] A low indicator depicts a healthy financial position.
[c] A high indicator depicts a healthy financial position.
[d] A low indicator is a reflection of insufficient cash available to settle debts.
[e] A low indicator is a positive reflection of obligations being liquidated.

15. At the end of the biennium 2006-2007, the total value of assets was lower than the total liabilities, leading to a negative reserves and fund balance. The negative balance was due mainly to the recognition, for the first time in the financial statements, of the end-of-service liabilities amounting to $48.09 million. End-of-service liabilities were previously not accounted for in the face of the financial statements but rather disclosed only in the notes.

3. Statement of income and expenditure

16. The total income for the period under review amounted to $334.26 million while total expenditures amounted to $350.67 million, resulting in a deficit of $16.41 million. The total expenditures in the biennium under review have increased by $48.01 million, or 15.86 per cent higher than the previous biennium's $302.66 million.

17. The deficit, on the other hand, was due to the increase in expenditures by $48.01 million and the decrease in assessed contributions by $28.66 million. The increase in expenditures was attributable to the substantial increase in contractual services by $22.44 million, or 55.82 per cent, from $40.19 million in the previous biennium to $62.63 million in the current biennium; and the increase in

expenditures for staff and other personnel costs by $25.09 million, or 11.14 per cent, from $225.23 million in the previous biennium to $250.32 million in the present biennium. Further, the reduction in assessed contributions was 8.07 per cent from the previous biennium's $354.99 million to this biennium's $326.32 million.

4. Statement of assets, liabilities, and reserves and fund balances

18. The total assets of the Tribunal as at the end of the biennium under review were $87.42 million, which was $50.37 million lower when compared to the previous biennium's $137.8 million, or a decrease of 36.56 per cent. Total liabilities in this biennium were $100.89 million, which was $11.53 million higher than the previous biennium's $89.36 million, representing an increase of 12.90 per cent. Total reserves and fund balances at the end of biennium 2006-2007 showed a deficit of $13.47 million compared to the previous biennium's surplus of $48.33 million, a decrease of $61.80 million.

Unliquidated obligations

19. Regulation 5.3 of the Financial Regulations and Rules of the United Nations provides that appropriations shall remain available for 12 months following the end of the financial period to which they relate to the extent that they are required to discharge obligations in respect of goods supplied and services rendered in the financial period and to liquidate any other outstanding legal obligations of the financial period.

20. Further, regulation 5.4 requires that at the end of the 12-month period provided in regulation 5.3, the then-remaining balance of any appropriations retained would be surrendered. Any unliquidated obligations of the financial period in question shall at that time be cancelled or, where the obligation remains a valid charge, transferred as an obligation against current appropriations. Therefore, outstanding obligations must be reviewed periodically by the responsible certifying officer.

21. Out of 24 purchase orders examined, the Board noted that 19 were liquidated within 3 to 14 months from the date the invoices were received. That delayed the recording of the liquidation of unliquidated obligations in the accounts.

22. **The Tribunal agreed with the Board's recommendation to monitor further the whole process of cancellation of unliquidated obligations.**

Lease of prison cells

23. Charges for the lease of prison cells used by the United Nations Detention Unit pursuant to lease agreements entered into between the Tribunal and the State of the Netherlands, were recorded as deferred charges. As at 24 April 2008, the Tribunal had only 67 detainees but 84 cells were being leased. With the declining trend in the number of detainees (there were 74 as at 31 December 2007), the number of prison cells needs to be reviewed. The Tribunal has, however, begun negotiations with the authorities of the Netherlands for the purpose of concluding a new memorandum of understanding as at October 2008, which would reflect the projected reduction in cell capacity.

24. **The Tribunal agreed with the Board's recommendation to review its present prison cell requirements and lease only the optimum number of prison cells as may be determined by applicable guidelines.**

Assessed contributions receivable

25. Assessed contributions outstanding as at 31 December 2007 were $19.53 million. Compared with $13.73 million at the end of the preceding biennium, there was an increase of $5.8 million, or 42.25 per cent. Of the $19.53 million, $1.23 million had been outstanding for three years or more.

26. Paragraph 33 of the United Nations system accounting standards states that "the organization may make a provision for delays in the collection of the outstanding contributions".

27. In view of the special nature of assessments, and the requirement of the United Nations system accounting standards, the Board is of the view that financial reporting could be improved if provisions were made in the accounts to recognize delays in the collection of outstanding contributions.

28. **The Board recommends that the Tribunal consider making a provision for delays in the collection of outstanding contributions pursuant to paragraph 33 of the United Nations system accounting standards.**

End-of-service liabilities including after-service health insurance

29. In relation to the financial reporting of end-of-service liabilities, in accordance with General Assembly resolution 61/264, the Tribunal changed the presentation of end-of-service liabilities this year from disclosure in the notes to the financial statements to accounting and presentation in the face of the financial statements.

30. The financial statements for the period under review reflected end-of-service liabilities amounting to $48.086 million. Details are shown in table II.2.

Table II.2
Accrued liabilities for end-of-service and post-retirement benefits as at 31 December 2007

Category	*Amount (in millions of dollars)*
After-service health insurance	13.42
Unused annual leave	6.04
Repatriation benefits	12.71
Judges' pension	15.92
Total	**48.09**

31. The determination of the Tribunal's liability for after-service health insurance was based on an actuarial valuation conducted by a consulting actuary. The judges' pension was, likewise, based on actuarial valuation conducted by the same consulting actuary.

32. The liabilities for accrued annual leave were calculated based on the actual accrued annual leave balances as at 31 December 2007, as generated from the online attendance records database maintained and monitored by the Human Resources Section. The Tribunal used the actual salary grade and step of each staff member to estimate the accrued annual leave.

33. Repatriation benefits were calculated based on the Tribunal's own database, using the number of years completed outside the country of nationality.

34. The Board had validated the end-of-service liabilities through reliance on the actuarial valuation done by the consulting actuary and the Board's own procedures.

35. As at 31 December 2005, the accrued liability for after-service health insurance as disclosed in note 7 to the financial statements was $17.46 million. Thus, there was a decrease of $4.04 million compared with the balance as at 31 December 2007 of $13.42 million.

36. The total liabilities for unused annual leave and for accrued repatriation benefits in the current biennium was $6.04 million and $12.71 million, respectively. In the previous biennium, the amounts disclosed in the notes to the financial statements were $4.2 million and $5.3 million, an increase of $1.84 million and $7.41 million, respectively.

37. The accrued liability for judges' pension benefits was not provided in the 2005 accounts. Actual payments were charged against current expenditures. As at 31 December 2007, the accrued liability for judges' pensions was estimated at $15.92 million.

38. Owing to the recognition of end-of-service liabilities in the books of accounts without the corresponding funding, the reserves and fund balances as at 31 December 2007 showed a deficit of $13.47 million. No provision was made for any of the end-of-service and post-retirement benefits totalling $48.09 million.

39. In view of its completion strategy and the time frames stipulated in Security Council resolutions 1503 (2003) and 1534 (2004), the gradual elimination of 100 posts would commence in August 2009 and the 158 posts in November 2009, with the remaining posts expected to be terminated by 2010.

40. **The Board recommends that the Tribunal develop a proposed financing plan in order to settle end-of-service liabilities relating to staff members at the time of the closure of the operations of the Tribunal.**

5. Statement of cash flows

41. The Tribunal's cash and term deposits account amounted to $3.2 million as at the end of the biennium under review, compared with $0.64 million in the preceding biennium, an increase of $2.57 million, or 403 per cent. On the other hand, the cash pool account amounted to $34.99 million as at the end of the biennium under review, compared with $45.32 million in the preceding biennium, a decrease of $10.33 million, or 22.78 per cent.

42. As reported in its statement of assets, liabilities, reserves and fund balances as at 31 December 2007 (statement II), the Tribunal's cash pool balance of $34.99 million was composed of the following: (a) cash and term deposits, $12.41 million; (b) short-term investments, $6.97 million; (c) long-term investments, $15.4 million; and (d) accrued interest receivable, $207,095.

43. In the Tribunal's statement of cash flows for the biennium ended 31 December 2007 (statement III), however, its share in the Headquarters cash pool was not considered in the determination of its cash balance as at biennium-end. The Board is of the view that cash and term deposits as well as short-term investments are in the

nature of cash and cash equivalents, hence, should have been reflected as such in the statement of cash flows.

44. **The Board recommends that the Tribunal reconsider the disclosure of the statement of cash flows to include its share in the cash pool.**

6. Progress towards the implementation of the International Public Sector Accounting Standards

45. The financial statements of the Tribunal are prepared by United Nations Headquarters and the Tribunal's mandate will come to an end in 2010. Since the International Public Sector Accounting Standards (IPSAS) would be implemented only in 2010, the Board finds that it is no longer necessary to monitor its implementation at the Tribunal.

7. Human resources management

46. In view of the impending closure of the Tribunal in 2010 based on its completion mandate, several officers and staff of the Tribunal had left before their contracts expired. For the staff classified as General Service, out of the 211 who left, 67 per cent, or 142, did not wait for the expiration of their contracts. Some resigned as early as one year and 10 months prior to the expiry of their contracts.

47. It was noted that despite the resignation of personnel of the Tribunal, staff and other personnel costs as well as contractual services had increased during the biennium under review. As indicated in the second performance report of the Tribunal for the biennium 2006-2007 (see A/62/578), the increase was due to the combined effect of exchange rate fluctuations and inflation, the salary increases in the Office of the Prosecutor and the Registry and the appointment of three reserve judges pursuant to Security Council resolution 1660 (2006).

48. The Tribunal explained that the devaluation of the United States dollar was so significant that it had offset savings accruing under the different budget lines, including those that might have accrued owing to the departure of staff.

49. **The Tribunal agreed with the Board's recommendation to continue to explore ways and means of retaining existing staff in order to ensure the successful completion of its mandate.**

8. Programme and project management

Completion dates of pending cases

50. It is unlikely that all the pending cases on trial for 2008 will be completed by 31 December 2008 as outlined in the completion strategy. The status report of cases as at 4 April 2008 showed that there were 50 cases pending trial and appeal. As is evident from the foregoing status of completion of pending cases on trial and on appeal, it has become necessary that the earlier projections of the Security Council on the completion of said cases be reviewed and the completion mandate modified accordingly. Based on the statement of the President of the Tribunal before the Security Council on 11 December 2007, it is unlikely that trials will be finished in early 2010 or that all appeals can still be concluded later.

51. The Tribunal explained that it undertakes regular reviews of completion dates for trials and appeals and informs the Security Council about changes in projected dates for completion of trials. They are contained in the Tribunal's semi-annual reports to the Security Council.

Remuneration package of defence counsels

52. The Board noted that the Office of Legal Aid and Detention, in coordination with the Association of Defence Counsels, had adopted a remuneration package for defence counsels on the trial of cases. The remuneration package included a fixed rate for compensation of a defence counsel until the trial ends. With such a package, the remuneration becomes predetermined and the amount is agreed upon with the defence counsels. The adoption of such a scheme of compensation was observed to be beneficial to the defence counsel, who not only was assured his pay, but was also given an incentive to expedite the handling and early resolution of the case because any delay in the trial would work to his disadvantage considering that his compensation had been fixed, irrespective of the length of trial. It was noted that there was no impediment to the application of such a remuneration package to cases on appeal. Such expeditious handling of all cases would be beneficial to the Tribunal.

53. **The Tribunal agreed with the Board's recommendation to adopt a similar remuneration package for defence counsels handling cases on appeal.**

9. Records management

54. In view of the closure of the Tribunal in 2010, it was noted that a working group had been created to prepare the records and archives of the Tribunal for future preservation and accessibility. During the second year of the biennium 2006-2007, the Tribunal had worked with the Archives and Records Management Section at Headquarters for identification of records that would be transferred to Headquarters and with the local courts for case records.

10. Internal audit findings

55. During the biennium under review, the Office of Internal Oversight Services focused its review on property management, procurement activities, and the operations of the Finance Section and the Office of Legal Aid and Detention.

56. On property management, 21 recommendations were issued, 20 of which the Tribunal agreed to implement.

57. The nine recommendations pertaining to procurement activities were favourably acted upon and considered as implemented. On the other hand, the Tribunal's Finance Section was issued 14 recommendations, all of which were either fully or partially implemented. The Tribunal informed the Board that in a communication from the Office of Internal Oversight Services in June 2008, the Office of Internal Oversight Services had stated that the Tribunal's Finance Section had no outstanding recommendations.

58. The 17 recommendations pertaining to the Office of Legal Aid and Detention were all implemented during the biennium.

11. Write-offs and disposals

59. The Tribunal informed the Board that in accordance with rule 106.9 of the Financial Rules and Regulations, the value of non-expendable property written off during the biennium 2006-2007 amounted to $52,933. Those were write-offs that arose from shortfalls, accident, theft, damage or destruction, and did not include factors such as obsolescence and wear and tear. Receivables of $5,730 had also been written off in the same period, of which $3,072 pertained to separated staff members and $2,657 to debtors other than staff members.

12. Ex gratia payments

60. As required by regulation 5.11, the Tribunal reported that there were no ex gratia payments during the biennium 2006-2007.

13. Cases of fraud and presumptive fraud

61. The Tribunal reported that there were no cases of fraud and presumptive fraud during the biennium 2006-2007.

C. Acknowledgement

62. The Board of Auditors wishes to express its appreciation for the cooperation and assistance extended to its staff by the President, the Prosecutor, the Registrar and the staff of the Tribunal.

(*Signed*) Philippe **Séguin**
First President of the Court of Accounts of France
(Chairman, United Nations Board of Auditors)

(*Signed*) Reynaldo A. **Villar**
Chairman, Philippine Commission on Audit
(Lead Auditor)

(*Signed*) Terence **Nombembe**
Auditor-General of the Republic of South Africa

30 June 2008

Annex

Summary of the status of implementation of the recommendations of the Board of Auditors for the biennium ended 31 December 2005

	Summary of recommendation	*Paragraph reference in Board report for 2004-2005[a]*	*Financial period first made*	*Fully implemented*	*Partially implemented*
1	Invite Member States to pursue their efforts to pay their assessed contributions on time, in full and without conditions	para. 17	2004-05		X
2	Provide information on exchange rate variations in a note to the financial statements	para. 20	2004-05	X	
3	Adjust the overstatement on the deferred charges for the prison cell lease contract	para. 24	2004-05	X	
4	Capacity to cover its liabilities for end-of-service and post-retirement benefits	para. 28	2004-05	X	
5	Ensure that the Tribunal completes its work within a time frame consistent with its closure date	para. 35	2004-05		X
6	Speedy introduction by the Tribunal of procedures to improve the recovery of amounts due from staff	para. 39	2004-05	X	
7	Regularly review the amounts budgeted to cover repatriation costs to ensure that they are not overestimated	para. 42	2004-05	X	
8	Ensure greater respect for the principle of bilingualism in Tribunal documents	para. 47	2004-05	X	
9	Make more efficient use of floor space in its premises	para. 52	2004-05	X	
10	Particular effort to be made to recruit and promote women	para. 54	2004-05	X	

	Summary of recommendation	*Paragraph reference in Board report for 2004-2005*[a]	*Financial period first made*	*Fully implemented*	*Partially implemented*
11	Make a particular effort to ensure that States are equitably represented	para. 57	2004-05	X	
	Total		**11**	**9**	**2**
	Percentage		**100**	**82**	**18**

[a] The reference paragraph number refers to relevant paragraphs in the report of the Board of Auditors for the biennium 2004-2005 (*Official Records of the General Assembly, Sixty-first Session, Supplement No. 5L* (A/61/5/Add.12)).

Chapter III
Audit opinion

We have audited the accompanying financial statements of the International Tribunal for the Prosecution of Persons Responsible for Serious Violations of International Humanitarian Law Committed in the Territory of the Former Yugoslavia since 1991 comprising statements numbered I to IV and the supporting notes and annex, for the biennium ended 31 December 2007. These financial statements are the responsibility of the Secretary-General. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by the Secretary-General, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for the audit opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Tribunal as at 31 December 2007 and the results of its operations and its cash flows for the period then ended, in accordance with the United Nations system accounting standards.

Furthermore, in our opinion, the transactions of the Tribunal that have come to our notice or which we have tested as part of our audit have in all significant respects been in accordance with the Financial Regulations and Rules of the United Nations and legislative authority.

Without qualifying our opinions above, we draw attention to the deficit of $13.47 million in the Tribunal's reserves and fund balances. In view of the impending closure of the Tribunal in 2010, there is a need to identify the funding sources to be used in the payment of the separation benefits of employees.

In accordance with article VII of the Financial Regulations and Rules of the United Nations, we have also issued a long-form report on our audit of the Tribunal.

(*Signed*) Philippe **Séguin**
First President of the Court of Accounts of France
Chairman of the United Nations Board of Auditors

(*Signed*) Reynaldo A. **Villar**
Chairman, Philippine Commission on Audit
(Lead Auditor)

(*Signed*) Terence **Nombembe**
Auditor-General of the Republic of South Africa

30 June 2008

Chapter IV
Certification of the financial statements

1. The financial statements of the United Nations International Tribunal for the Prosecution of Persons Responsible for Serious Violations of International Humanitarian Law committed in the Territory of the Former Yugoslavia since 1991 for the biennium ended 31 December 2007 have been prepared in accordance with financial rule 106.10.

2. The summary of significant accounting policies applied in the preparation of these statements is included as notes to the financial statements. The notes provide additional information and clarifications for the financial activities undertaken by the Organization during the period covered by these statements for which the Secretary-General has administrative responsibility.

3. I certify that the appended financial statements of the International Tribunal for the Former Yugoslavia, numbered I to IV, are correct.

(*Signed*) Warren **Sach**
Assistant Secretary-General, Controller

2 April 2008

Chapter V

Financial statements for the biennium ended 31 December 2007

Statement I

International Tribunal for the Former Yugoslavia[a]

Statement of income and expenditure and changes in reserves and fund balances for the biennium ended 31 December 2007

(Thousands of United States dollars)

	2007	*2005*
Income		
Assessed contributions[b]	326 324	354 986
Interest income	6 733	1 700
Other/miscellaneous income	1 202	315
Total income	**334 259**	**357 001**
Expenditure		
Staff and other personnel costs	250 323	225 232
Travel	6 555	6 045
Contractual services	62 626	40 191
Operating expenses	23 842	24 370
Acquisitions	7 101	6 670
Other	223	148
Total expenditure	**350 670**	**302 656**
Excess (shortfall) of income over expenditure	**(16 411)**	**54 345**
Non-budgeted accrued expenses for end-of-service and post-retirement benefits[c]	(5 262)	—
Prior-period adjustments	(6)	(113)
Net excess (shortfall) of income over expenditure	**(21 679)**	**54 232**
Savings on or cancellation of prior-period's obligations	2 604	6 767
Other adjustments to reserves and fund balances[d]	(42 824)	—
Reserves and fund balances, beginning of period	48 432	(12 567)
Reserves and fund balances, end of period	**(13 467)**	**48 432**

[a] See notes 2 and 3.

[b] In accordance with General Assembly resolutions 60/243 and 61/242, assessments for the International Tribunal are based in part on the scale of assessments applicable to the United Nations regular budget and in part on the scale of assessments applicable to peacekeeping operations.

[c] Represents net decrease in accrued liabilities for after-service health insurance costs of $4,038,000 and net increase for unused annual leave of $1,893,532 and for repatriation benefits of $7,406,785. See note 6.

[d] Represents accrued liabilities for after-service health insurance of $17,457,000, for unused annual leave of $4,147,997 and for repatriation benefits of $5,302,896 as of 31 December 2005, and accrued liabilities for judges' pensions of $15,916,000 as of 31 December 2007. See note 6.

The accompanying notes are an integral part of the financial statements.

Statement II
International Tribunal for the Former Yugoslavia[a]
Statement of assets, liabilities and reserves and fund balances as at 31 December 2007
(Thousands of United States dollars)

	2007	*2005*
Assets		
Cash and term deposits	3 202	639
Cash pool[b]	34 991	45 316
Assessed contributions receivable from Member States[c]	19 535	13 733
Inter-fund balances receivable	—	2 128
Other accounts receivable	1 557	1 620
Deferred charges	28 058	74 251
Inter-office transactions pending processing	78	108
Total assets	**87 421**	**137 795**
Liabilities		
Contributions or payments received in advance	110	1
Unliquidated obligations — current period	16 276	14 785
Unliquidated obligations — future periods	27 366	73 619
Inter-fund balances payable	8 040	—
Other accounts payable	1 003	958
Deferred income	7	—
End-of-service and post-retirement benefits liabilities[d]	48 086	—
Total liabilities	**100 888**	**89 363**
Reserves and fund balances		
Cumulative surplus (deficit)	(13 467)	48 432
Total reserves and fund balances	**(13 467)**	**48 432**
Total liabilities and reserves and fund balances	**87 421**	**137 795**

[a] See notes 2 and 3.
[b] Represents share of the United Nations Headquarters cash pool and comprises cash and term deposits of $12,410,012, short-term investments of $6,966,505 (market value $6,970,108), long-term investments of $15,406,986 (market value $15,454,095) and accrued interest receivable of $207,095.
[c] Includes assessed contributions unpaid irrespective of collectability.
[d] Represents accrued liabilities for after-service health insurance costs of $13,419,000, for unused annual leave of $6,041,529, for repatriation benefits of $12,709,681 and for judges' pension benefits of $15,916,000. See note 6.

The accompanying notes are an integral part of the financial statements.

Statement III
International Tribunal for the Former Yugoslavia[a]
Statement of cash flows for the biennium ended 31 December 2007
(Thousands of United States dollars)

	2007	*2005*
Cash flows from operating activities		
Excess (shortfall) of income over expenditure (statement I)	(21 679)	54 232
(Increase) decrease in assessed contributions receivable	(5 802)	39 578
(Increase) decrease in inter-fund balances receivable	2 128	(2 128)
(Increase) decrease in other accounts receivable	63	494
(Increase) decrease in deferred charges	46 193	6 168
(Increase) decrease in other assets	30	51
Increase (decrease) in contributions or payments received in advance	109	(1)
Increase (decrease) in unliquidated obligations	(44 762)	(10 999)
Increase (decrease) in inter-fund balances payable	8 040	(4 959)
Increase (decrease) in other accounts payable	45	323
Increase (decrease) in deferred income	7	—
Increase (decrease) in end-of-service and post-retirement liabilities	48 086	—
Less: Interest income	(6 733)	(1 700)
Net cash flows from operating activities	**25 725**	**81 059**
Cash flows from investing activities		
Increase (decrease) in loans payable	—	(48 000)
(Increase) decrease in cash pool	10 325	(44 644)
Plus: Interest income	6 733	1 700
Net cash flows from investing activities	**17 058**	**(90 944)**
Cash flows from financing activities		
Savings on or cancellation of prior-period's obligations	2 604	6 767
Other adjustments to reserves and fund balances	(42 824)	—
Net cash flows from financing activities	**(40 220)**	**6 767**
Net increase (decrease) in cash and term deposits	2 563	(3 118)
Cash and term deposits, beginning of period	639	3 757
Cash and term deposits, end of period[b]	**3 202**	**639**

[a] See notes 2 and 3.
[b] Cash and term deposits does not include cash and term deposits in the cash pool. Refer to footnote b in statement II.

The accompanying notes are an integral part of the financial statements.

Statement IV
International Tribunal for the Former Yugoslavia
Statement of appropriations for the biennium ended 31 December 2007

(Thousands of United States dollars)

Programme of work	*Appropriations approved*[a]	*Expenditures*			*Balance*
		Disbursements	*Unliquidated obligations*	*Total expenditures*	
A. The Chambers	12 937	12 994	41	13 035	(98)
B. Office of the Prosecutor	84 255	83 979	298	84 277	(22)
C. Registry	219 266	200 159	15 937	216 096	3 170
D. Staff assessment	32 521	37 262	—	37 262	(4 741)
Total	**348 979**	**334 394**	**16 276**	**350 670**	**(1 691)**

[a] The appropriations for the biennium 2006-2007 were approved under General Assembly resolutions 60/243, 61/242 and 62/230.

Notes to the financial statements

Note 1
The United Nations and its activities

(a) The Charter of the United Nations was signed on 26 June 1945 and came into force on 24 October 1945. The Organization's primary objectives, to be implemented through its five major organs, were as follows:

(i) The maintenance of international peace and security;

(ii) The promotion of international economic and social progress and development programmes;

(iii) The universal observance of human rights;

(iv) The administration of international justice and law;

(v) The development of self-government for Trust Territories.

(b) The General Assembly focuses on a wide range of political, economic and social issues, as well as financial and administrative aspects of the Organization.

(c) Under the direction of the Security Council, the Organization has been involved in various aspects of peacekeeping and peacemaking, including efforts to resolve conflicts, restore democracy, promote disarmament, provide electoral assistance, facilitate post-conflict peacebuilding, engage in humanitarian activities to ensure the survival of groups deprived of basic needs and overseeing the prosecution of persons responsible for serious violations of international humanitarian law.

(d) The Economic and Social Council plays a particular role in economic and social development, including a major oversight role in the efforts of other organizations of the United Nations system to address international economic, social and health problems.

(e) The International Court of Justice has jurisdiction over disputes between Member States brought before it for advisory opinions or binding resolutions.

(f) The Trusteeship Council completed its primary functions in 1994 with the termination of the Trusteeship Agreement for the last United Nations Trust Territory.

Note 2
Summary of significant accounting and financial reporting policies of the United Nations

(a) The accounts of the United Nations are maintained in accordance with the Financial Regulations and Rules of the United Nations as adopted by the General Assembly, the rules formulated by the Secretary-General as required under the regulations and administrative instructions issued by the Under-Secretary-General for Management or the Controller. They also take fully into account the United Nations system accounting standards, as adopted by the United Nations System Chief Executives Board for Coordination (CEB). The Organization follows international accounting standard 1, Presentation of financial statements, on the

disclosure of accounting policies, as modified and adopted by the CEB, as shown below:

(i) Going concern, consistency and accrual are fundamental accounting assumptions. Where fundamental accounting assumptions are followed in financial statements, the disclosure of such assumptions is not required. If a fundamental accounting assumption is not followed, that fact should be disclosed together with the reasons;

(ii) Prudence, substance over form and materiality should govern the selection and application of accounting policies;

(iii) Financial statements should include clear and concise disclosure of all significant accounting policies that have been used;

(iv) The disclosure of the significant accounting policies used should be an integral part of the financial statements. These policies should normally be disclosed in one place;

(v) Financial statements should show comparative figures for the corresponding period of the preceding financial period;

(vi) A change in an accounting policy that has a material effect in the current period or may have a material effect in subsequent periods should be disclosed together with the reasons. The effect of the change should, if material, be disclosed and quantified.

(b) The Organization's accounts are maintained on a fund accounting basis. Separate funds for general or special purposes may be established by the General Assembly, the Security Council or the Secretary-General. Each fund is maintained as a distinct financial and accounting entity with a separate self-balancing double-entry group of accounts. Financial statements reflect the activities of each fund or of a group of funds of the same nature.

(c) The financial period of the Organization is a biennium consisting of two consecutive calendar years for all funds other than peacekeeping accounts, which are reported on a fiscal year basis covering the period from 1 July to 30 June.

(d) Generally, income, expenditure, assets and liabilities are recognized on the accrual basis of accounting. For assessed income, the policy set out in paragraph (j) (ii) below applies.

(e) The accounts of the Organization are presented in United States dollars. Accounts maintained in other currencies are translated into United States dollars at the time of the transaction at rates of exchange established by the United Nations. In respect of such currencies, the financial statements shall reflect the cash, investments, unpaid pledges and current accounts receivable and payable in currencies other than the United States dollar, translated at the applicable United Nations rate of exchange in effect as at the date of the statements. In the event that the application of actual exchange rates as at the date of the statements would provide a valuation materially different from the application of the Organization's rates of exchange for the last month of the financial period, a footnote will be provided quantifying the difference.

(f) The Organization's financial statements are prepared on the historical cost basis of accounting and are not adjusted to reflect the effects of changing prices for goods and services.

(g) The cash flow summary statement is based on the indirect method of cash flows as referred to in the United Nations system accounting standards.

(h) The Organization's financial statements are presented in accordance with the ongoing recommendations of the Task Force on Accounting Standards of the High-level Committee on Management.

(i) Separate financial statements are issued for the United Nations general and related funds, for the United Nations Iraq escrow accounts, for the United Nations Compensation Commission, for the International Tribunal for the Former Yugoslavia under the provisions of Security Council resolutions 808 (1993) and 827 (1993), for the International Criminal Tribunal for Rwanda under the provisions of Security Council resolution 955 (1994) and for the peacekeeping accounts, which are reported separately on a fiscal year basis covering the period from 1 July to 30 June.

(j) Income:

(i) Amounts necessary to finance the activities of the United Nations regular budget and peacekeeping operations, the capital master plan, the International Tribunal for the Former Yugoslavia and the International Criminal Tribunal for Rwanda, as well as the Working Capital Fund are assessed to Member States in accordance with the scale of assessments determined by the General Assembly;

(ii) Income is recognized when assessments to Member States have been authorized by the General Assembly. Neither appropriations nor spending authorities are recognized as income except to the extent that a matching assessment on Member States has been levied;

(iii) Amounts assessed to non-member States that agree to pay reimbursement of costs for their participation in the Organization's treaties, organs and conferences are credited to miscellaneous income;

(iv) Voluntary contributions from Member States or other donors are recorded as income on the basis of a written commitment to pay monetary contributions at specified times within the current financial period. Voluntary contributions made in the form of services and supplies that are acceptable to the Secretary-General are credited to income or noted in the financial statements;

(v) Income received under inter-organizational arrangements represents allocations of funding from agencies to enable the Organization to administer projects or other programmes on their behalf;

(vi) Allocations from other funds represent monies appropriated or designated from one fund for the transfer to and disbursement from another fund;

(vii) Income for services rendered includes amounts charged for salaries of staff members and other costs that are attributable to providing technical and administrative support to other organizations;

(viii) Interest income includes all interest earned on deposits in various bank accounts, investment income earned on marketable securities and other negotiable instruments and investment income earned in the cash pools. All realized losses and net unrealized losses on short-term investments are offset against investment income. Investment income and costs associated with the operation of investments in the cash pools are allocated to participating funds;

(ix) Miscellaneous income includes income from the rental of premises, the sale of used or surplus property, refunds of expenditures charged to prior periods, net gains resulting from currency translations, settlements of insurance claims, amounts assessed on new Member States for the year of admission to the United Nations, amounts assessed to non-member States as stated in (j) (iii) above, monies accepted for which no purpose was specified, and other sundry income;

(x) Income relating to future financial periods is not recognized in the current financial period and is recorded as deferred income, as referred to in item (m) (iii) below.

(k) Expenditure:

(i) Expenditures are incurred against authorized appropriations or commitment authorities. Total expenditures reported include unliquidated obligations and disbursements;

(ii) Expenditures incurred for non-expendable property are charged to the budget of the period when acquired and are not capitalized. Inventory of such non-expendable property is maintained at the historical cost;

(iii) Expenditures for future financial periods are not charged to the current financial period but are recorded as deferred charges, as referred to in item (l) (vi) below.

(l) Assets:

(i) Cash and term deposits represent funds held in demand-deposit accounts and interest-bearing bank deposits;

(ii) Investments include marketable securities and other negotiable instruments acquired by the Organization to produce income. Short-term investments are stated at the lower of cost or market value: long-term investments are stated at cost. Cost is defined as the nominal value plus or minus any unamortized premium or discount. The market value of investments is disclosed in the footnotes to the financial statements;

(iii) Cash pools comprise participating funds' share of cash and term deposits, short-term and long-term investments and accrual of investment income, all of which are managed in the pools. The investments in the cash pools are similar in nature and are accounted for in item (l) (ii) above. Share in the cash pools is reported separately in each of the participating fund's statement and its composition and the market value of its investments are disclosed in a footnote to the statement;

(iv) Assessed contributions represent legal obligations of contributors and, therefore, the balances of unpaid assessed contributions due from Member

States are reported irrespective of collectability. It is the policy of the United Nations not to make provision for delays in the collection of such assessments;

(v) Inter-fund balances reflect transactions between funds, and are included in the amounts due to and from the United Nations General Fund. Inter-fund balances also reflect transactions directly with the United Nations General Fund. Inter-fund balances are settled periodically, depending on the availability of cash resources;

(vi) Deferred charges normally comprise expenditure items that are not properly chargeable to the current financial period. They will be charged as expenditure in a subsequent period. These expenditure items include commitments approved by the Controller for future financial periods in accordance with financial rule 106.7. Such commitments are normally restricted to administrative requirements of a continuing nature and to contracts or legal obligations where long lead times are required for delivery;

(vii) For purposes of the balance sheet statements only, those portions of education grant advances that are assumed to pertain to the scholastic years completed as at the date of the financial statement are shown as deferred charges. The full amounts of the advances are maintained as accounts receivable from staff members until the required proofs of entitlement are produced, at which time the budgetary accounts are charged and the advances settled;

(viii) Maintenance and repairs of capital assets are charged against the appropriate budgetary accounts. Furniture, equipment, other non-expendable property and leasehold improvements are not included in the assets of the Organization. Such acquisitions are charged against budgetary accounts in the year of purchase. The value of non-expendable property is disclosed in notes to the financial statements.

(m) Liabilities, reserves and fund balances:

(i) Operating and other types of reserves are included in the totals for reserves and fund balances shown in the financial statements;

(ii) Unliquidated obligations for future years are reported both as deferred charges and as unliquidated obligations;

(iii) Deferred income includes pledged contributions for future periods, advances received under revenue-producing activities, and other income received but not yet earned;

(iv) Commitments of the Organization relating to prior, current and future financial periods are shown as unliquidated obligations. Current-period obligations related to the regular budget and special accounts remain valid for 12 months following the end of the biennium to which they relate. Obligations for most technical cooperation activities remain valid for 12 months after the end of each calendar year. Unliquidated obligations relating to amounts owed by peacekeeping operations to Member States may be retained for a period of five years beyond the end of the financial period. Unliquidated obligations relating to funds of a multi-year nature remain valid until the completion of the project;

(v) Accrued liabilities for end-of-service and post-retirement benefits, comprising those for after-service health insurance, unused vacation days and repatriation benefits, which were previously disclosed in the notes to the financial statements, are, effective 1 January 2006, included as liabilities in the statement of assets, liabilities and reserves and fund balances. The change in policy is made in order to recognize such liabilities when incurred, and is in accordance with General Assembly resolution 60/255 with respect to recognition of after-service health insurance liabilities. In addition, effective 31 December 2007, accrued liabilities for judges' pensions are recorded as liabilities in the statement of assets, liabilities and reserves and fund balances (see note 6);

(vi) Contingent liabilities, if any, are disclosed in the notes to the financial statements;

(vii) The United Nations is a member organization participating in the United Nations Joint Staff Pension Fund (UNJSPF), which was established by the United Nations General Assembly to provide retirement, death, disability and related benefits. The UNJSPF is a funded defined-benefit plan. The financial obligation of the Organization to the UNJSPF consists of its mandated contribution at the rate established by the General Assembly together with its share of any actuarial deficiency payments under article 26 of the Regulations of the UNJSPF. Such deficiency payments are payable only if and when the General Assembly has invoked the provision of article 26, following a determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the UNJSPF as of the valuation date. As at the date of the current financial statement, the General Assembly has not invoked that provision.

Note 3
International Tribunal for the Former Yugoslavia (statements I-IV)

(a) The International Tribunal for the Former Yugoslavia was established by the Security Council in its resolutions 808 (1993) and 827 (1993). The Tribunal consists of the following organs:

(i) The Chambers is made up of three Trial Chambers and an Appeals Chamber. The Trial Chambers are composed of 9 permanent judges, no 2 of whom may be nationals of the same State and 12 ad litem judges, including 3 reserve judges. The Appeals Chamber, which is composed of seven judges, serves both the International Tribunal for the Former Yugoslavia and the International Criminal Tribunal for Rwanda;

(ii) The Office of the Prosecutor, who is responsible for the investigation and prosecution of persons responsible for serious violations of international humanitarian law committed in the territory of the former Yugoslavia since 1991, acts independently as a separate organ of the Tribunal;

(iii) A Registry, which services both the Chambers and the Prosecutor and is responsible for the administration and servicing of the Tribunal.

(b) The General Assembly, in its resolutions 60/243, 61/242 and 62/230 approved the budget appropriations for the biennium 2006-2007. Annual budget apportionments are funded by assessments to Member States, 50 per cent in

accordance with the scale of assessment applicable to the United Nations regular budget and 50 per cent in accordance with the scale of assessments applicable to peacekeeping operations. States and intergovernmental and non-governmental organizations also contribute funds, equipment and services to the voluntary fund to support the activities of the Tribunal in carrying out its mandate. The financial statements for the Tribunal are prepared every 12 months, with a final accounting at the end of the biennium.

(c) Statement I reports the income and expenditure and changes in the reserves and fund balances during the financial period. It includes the calculation of the excess of income over expenditure for the current period and prior-period adjustments of income or expenditure.

(d) Statement II shows the assets, liabilities, reserves and fund balances as at 31 December 2007. Excluded from the assets is the value of non-expendable property (see note 7).

(e) Statement III shows the cash flows for the period prepared using the indirect method of cash flows as referred to in the United Nations system accounting standards.

(f) Statement IV reports on expenditures against the appropriation approved for the biennium.

Note 4
Status of appropriations

In accordance with General Assembly resolutions 60/243, 61/242 and 62/230, the appropriations and gross assessments for the biennium 2006-2007 are as follows:

(Thousands of United States dollars)

	2006	*2007*	*Total*
Initial appropriation (resolution 60/243)	152 568	152 569	305 137
Add: Resolution 61/242		21 437	21 437
Resolution 62/230	—	22 405	22 405
Revised appropriation	152 568	196 411	348 979
Less: Estimated income	(124)	(126)	(250)
Revised appropriation less estimated income (resolution 62/230)	152 444	196 285	348 729
Less: Increase in appropriation for the biennium 2006-2007 to be assessed in 2008	—	(22 405)	(22 405)
Gross amounts assessed to Member States	**152 444**	**173 880**	**326 324**

Note 5
Assets, liabilities, reserves and fund balances (statement II)

(a) The cash and term deposits figure represents the total cash balance (including funds held in local currency) at United Nations Headquarters and at the offices away from Headquarters.

(b) Assessed contributions unpaid:

(i) The assessed contributions receivable as at 31 December 2007 have been recorded in accordance with the Financial Regulations and Rules of the United Nations, the relevant resolutions of the General Assembly and the policy of the United Nations. Based on this policy, no provision has been made for delays in the collection of outstanding assessed contributions;

(ii) The details of assessed contributions receivable are shown in the report on the status of contributions as at 31 December 2007 (ST/ADM/SER.B/727, annex XXII). The report shows total unpaid assessments of $19,535,370, which differs from the assessed contributions receivable account in the financial statements by $94 as a result of a peacekeeping credit that was not yet applied. Amounts due from the former Yugoslavia, which ceased to be a Member State on 1 November 2000, are included in the assessed contributions receivable account in the financial statements and also in the status of contributions report. However, no action has been taken in the accounts as there is no specific General Assembly resolution on the matter. Of the total unpaid assessments, a total of $2,594,921 is over one year old, and an amount of $16,940,449 is less than one year old.

(c) Other accounts receivable. The following is the composition of the other accounts receivable as at 31 December 2007 compared with those as at 31 December 2005:

(Thousands of United States dollars)

	2007	*2005*
Governments	265	231
Staff members	955	1 063
Vendors	302	108
Other United Nations entities	35	218
Total	**1 557**	**1 620**

(d) Other accounts payable. The following is the composition of other accounts payable balances at 31 December 2007 compared with those as at 31 December 2005:

(Thousands of United States dollars)

	2007	*2005*
Staff members	118	113
Vendors	64	9
Other United Nations entities	5	4
Provision for repatriation grants	816	832
Total	**1 003**	**958**

(e) Future years' commitments. The amount reported in statement II as unliquidated obligations for future years comprises obligations raised for contracts and lease agreements that pertain to the periods from 2008 to 2011.

Note 6
Accrued liabilities for end-of-service and post-retirement benefits

(a) Upon the end of their service, eligible staff members are entitled to after-service health insurance coverage and to be paid for any unused annual leave up to a maximum of 60 days and repatriation benefits based on the number of years of service. Effective 1 January 2006, all these three types of liabilities are recognized in the financial accounts. The liabilities have been recorded through an adjustment to reserves and fund balances as shown in statement I. Previously, these liabilities were disclosed in the notes to the financial statements.

(b) In order to gain a better understanding of the financial dimensions of the Tribunal's liabilities for after-service health insurance, which is a defined benefit plan, a consulting actuary was engaged to carry out an actuarial valuation of after-service health insurance benefits. The major assumptions used by the actuary were a discount rate of 5.5 per cent; health-care escalation rates of 9.5 per cent in 2008, grading down to 5.0 per cent in 2015 and later years for United States medical plans, and 5.7 per cent in 2008 grading down to 4.5 per cent in 2012 and later years for medical plans outside the United States; and retirement, withdrawal and mortality assumptions consistent with those used by the UNJSPF in making its own actuarial valuation. On the basis of these assumptions, it is estimated that the Tribunal's liability as at 31 December 2007 for after-service health insurance benefits is as follows:

(Thousands of United States dollars)

After-service health insurance liabilities	*Present value of future benefits*	*Accrued liability*
Gross liability	22 795	19 378
Offset from retiree contributions	(6 996)	(5 959)
Net liability	**15 799**	**13 419**

(c) The present value of future benefits figures shown above are the discounted values of all benefits to be paid in future to all current retirees and active employees expected to retire. The accrued liability represents those portions of the present values of benefits that have accrued from the staff members' date of entry on

duty until the valuation date. Active staff members' benefits are fully accrued on the date on which they become fully eligible for benefits.

(d) The Tribunal's total liability for unused annual leave and accrued repatriation benefits has been recorded as of 31 December 2007, and is estimated to be $6,041,000 and $12,710,000 respectively.

(e) Upon retirement, judges of the Tribunal are entitled to a pension, which is not payable by the UNJSPF. In order to gain a better understanding of the financial dimensions of the Tribunal's liabilities for judges' pensions, a consulting actuary was engaged to carry out an actuarial valuation of the pension-related liabilities. The major assumptions used by the actuary were a discount rate of 5.0 per cent, standardized mortality tables and salary increases at an annual rate of 3.0 per cent. On the basis of these assumptions, it is estimated that the Tribunal's accrued liability as at 31 December 2007 for judges' pensions is $15,916,000. This liability has been recorded through an adjustment to reserves and fund balances as shown in statement I.

Note 7
Non-expendable property

In accordance with United Nations accounting policies, non-expendable property is charged against the current allotment in the year of purchase. The Tribunal's non-expendable property, valued at historical cost, according to its cumulative inventory records was as follows:

(Thousands of United States dollars)

Balance at 1 January 2006	17 136
Acquisitions	2 591
Less: Write-offs: accidents, thefts and damages	(53)
Less: Write-offs: obsolescence and other	(5 033)
Adjustments[a]	2 059
Balance at 31 December 2007[b]	**16 700**

[a] Represents primarily the value of furniture as of 31 December 2007, which is included for the first time.

[b] Includes $212,053 for non-expendable property approved for write-off but not disposed, and $548,088 for non-expendable property pending approval for write-off.

Note 8
Future operations

(a) In its resolution 1534 (2004), the Security Council emphasized the importance of fully implementing the completion strategies as set out in Council resolution 1503 (2003), in which it calls on the Tribunal to take all possible measures to complete investigations by 2004, to complete all trial activities at the first instance by the end of 2008, and to complete all work in 2010, and urged the Tribunal to plan and act accordingly. The Tribunal is taking measures to expedite its work accordingly and provides periodic reports to the Council.

(b) The Tribunal's proposed budget for the biennium 2008-2009 (A/62/374) included proposals for funding the accrued liabilities for after-service health insurance and pensions of retired judges. However, the General Assembly, in its resolution 62/230, by endorsing the conclusions and recommendations contained in the report of the Advisory Committee on Administrative and Budgetary Questions (A/62/578), decided to revert to the issue of the funding of: (a) after-service health insurance in the context of the overall review at its sixty-third session; and (b) pension-related liabilities of the Tribunals at its sixty-fourth session. A report on a comprehensive proposal on appropriate incentives to retain staff (A/62/681) has been submitted to and is currently under consideration by the General Assembly. Furthermore, the Tribunals are currently discussing the issue of residual functions with the working group of the Security Council with the aim of finalizing a proposal for the consideration by the Security Council and the General Assembly.

Annex

Voluntary fund to support activities of the International Tribunal for the Former Yugoslavia

Schedule of income, expenditure, reserves and fund balances for the biennium ended 31 December 2007

(Thousands of United States dollars)

	Reserves and fund balances beginning of period	*Income*	*Expenditure and other adjustments*	*Reserves and fund balances end of period*
Voluntary fund to support the activities of the International Tribunal for the Former Yugoslavia	4 431	2 353	3 493	3 291

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